

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 L-02 PA-02 PRS-01 USIA-15 AID-05

CIAE-00 FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06

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R 111505Z APR 75

FM AMCONSUL THESSALONIKI

TO SECSTATE WASHDC 2314

INFO USDOC WASHDC

USDOA WASHDC

AMEMBASSY ATHENS

UNCLAS THESSALONIKI 0243

E.O.11652:N/A

TAGS: EINV, GR

SUBJECT: POSSIBLE TERMINATION OF CONTRACT FOR NESTLE PLANT

1. "ELLINIKOS VORRAS" OF APRIL 11 CARRIES
SPECIAL REPORT FROM ATHENS ON REPORTED DECISION
BY GOG TO REVOKE CONTRACT FOR SWISS NESTLE
CONDENSED MILK PLANT AT PLATY UNLESS NESTLE
AGREES TO COMPLETE CONTRACT REVISION. SPECIFICALLY,
REPORT INDICATES THAT GOG IS INSISTING
ON TERMINATION OF PROVISIONS IN ORIGINAL AGREE-
MENT FOR PRODUCTION OF NESTLE PRODUCTS BY
COUNTERVAILING DUTIES, GOG SUBSIDES FOR EXCESS
PRODUCTS SOLD ABROAD AT LOWER COST, 5 PER CENT AGRARIAN
BANK FINANCING, AND 51 PER CENT NESTLE OWNERSHIP.

2. "VORRAS" NOTES THAT RECOMMENDATION TO ABROGATE CONTRACT
UNLESS THESE REVISIONS ACCEPTED IS
CONTAINED IN REPORT OF SPECIAL COMMITTEE
STUDYING NESTLE WHICH WILL BE SUBMITTED TO
AGRICULTURE MINISTER IORDANOGLU APRIL 12.
IN ADDITION, GOG REPORTEDLY ALSO CONSIDERING
COURT ACTION AGAINST GREEK OFFICIALS RESPONSIBLE
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FOR "SCANDALOUS" CONTRACT.

3. COMMENT: NESTLE PLANT BUILT HERE AT COST OF
DOLLARS 13 MILLION WAS SCHEDULED TO BEGIN OPERATION
APRIL 15. LOCAL OBSERVERS BELIEVE NESTLE UNLIKELY
TO ACCEPT TOTAL CONTRACT REVISION ABOVE, AND WE
UNDERSTAND GOG MAY ALREADY BE CONTACTING ALTERNATIVE
OPERATORS FOR NEW PLANT.
BRENNAN

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